Distr.
GENERAL

IDB.17/SR.1
7 July 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 23 June 1997, at 10 a.m.

Temporary President: Mr. Seung Kon LEE (Republic of Korea)
President: Mr. I. POSTA (Hungary)

CONTENTS

Agenda item		*Paragraphs*
1	Opening of the session	1 - 3
2	Election of officers	4 - 10
3	Adoption of the agenda	11 - 14
-	Statement by the Director-General	15 - 32
-	Organization of work	33 - 38
4	Annual report of the Director-General for 1996 on the activities of the Organization, including progress report on specific activities	39 - 57
5	Implementation of the UNIDO reform	

This record is subject to correction

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.97 25168 (E) (a:1997:pmo.5)

Distr.: 11 July 1997

The meeting was called to order at 11 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the seventeenth session of the Industrial Development Board.

2. He said that in the year or more during which he had been President of the Board, UNIDO's efforts to reform had been marred by the decision of some major players to withdraw from its activities—a decision all the more painful in that it had come as the Organization celebrated its thirtieth anniversary. Faced with widespread criticism and unfavourable speculation as to its future, the Organization had embarked on what was proving a successful struggle to redefine its role and function. It was now unanimously recognized that UNIDO played a useful role as a specialized agency. The seventh special session of the Board had taken the timely step of establishing an intersessional working group to intensify efforts to reform the Organization. His thanks went to the chairman of that group and to all those delegates who had participated in its work. Uncertainties as to UNIDO's future remained unresolved; nevertheless, through the exercise of collective wisdom, political will and closer cooperation, Member States could overcome the remaining difficulties. A house divided against itself could not stand: parochial interest and short-sightedness thus had no place in the reform process.

3. Finally, he thanked the representatives of Member States, the Director-General and the Secretariat for their support and cooperation, without which his term of office would have been hard and painful.

ELECTION OF OFFICERS

4. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. István Posta (Hungary) for the post of President; Mr. Ahmed Abdel Halim Mohamed (Sudan), Mr. Jørgen R.H. Bøjer (Denmark) and Mr. Alberto Velazco San José (Cuba) for the posts of Vice-President; and Mr. Ali Reza Tootoonchian (Islamic Republic of Iran) for the post of Rapporteur.

5. *The candidates were elected by acclamation.*

6. *The President took the Chair.*

7. **The PRESIDENT** thanked the outgoing President of the Board for his able guidance during the deliberations at the Board's sixteenth session. Since December 1996, Member States and the Secretariat had worked intensively to transform UNIDO into a more efficient organization able to respond to the basic demands of developing countries and countries in transition while at the same time operating within the realities of prevailing budgetary constraints. Over the past months, UNIDO's activities had been analysed in numerous meetings and consultations, possible options for its future operations had been discussed and compromise solutions had been sought. The one objective had been to effect a turnaround that would enable UNIDO to face the challenge of changing political and economic circumstances in the context of the long awaited reform of the United Nations system. UNIDO was not the only organization that needed to adapt to the changing political and financial environment: the entire United Nations system faced similar challenges, calling for immediate and meaningful reform. The unexpected announcement by some Member States in December 1996 concerning their withdrawal or possible withdrawal from the Organization had made a considerable impact. On the one hand, it had signalled that a further serious budget cut was to be expected; on the other, it had prompted Member States to engage in a serious examination of some basic questions.

8. Those questions included the following: Did UNIDO's current operations correspond to its mandate? Did the Organization satisfy the real needs of developing countries and economies in transition? Did UNIDO operate effectively in its current form? Did it have a competent management team? Did Member States secure the stable and predictable conditions that were necessary for the Organization's activity?

9. During those discussions, most Member States and the international community had recognized and appreciated the positive changes that had resulted from the reforms initiated at Yaoundé. Those changes were seen as a basis for the further progress that was necessitated by changed circumstances. An honest exchange of views between donors and recipient countries had brought a closer awareness of how that progress could be achieved. At the seventh special session of the Board in April 1997, Member States had decided to continue that process in order to define, through collective wisdom, the Organization's future role, functions and organizational structure. The paper elaborated at that special session setting forth common ground had proved to be a valuable starting point for the intersessional working group's task of formulating a plan for the future of UNIDO. As a result of that intensive joint work, the Board now had a unique opportunity to adopt at its current session a set of recommendations concerning the new functions of the Organization, its main activities and its budgetary framework. The report of the chairman of the intersessional working group (IDB.17/25) was to be presented under agenda item 6. It would be a challenging task for the Board to hold a responsible discussion and come to a

decision taking into account the pressing needs of the developing countries, preserving the universal character of the Organization while securing the necessary focusing of its activities, and maintaining and developing the advantages of UNIDO activity for the future while keeping in mind existing political and economic realities. To neglect any of those elements would be to risk failure—a failure that would be costly for all involved.

10. He therefore appealed to members of the Board to keep constantly in mind the need for compromise solutions which, while they must contain painful elements, need not jeopardize the commonly shared aims of development. The task was to try to build a renewed and successful UNIDO for the coming years. It was his deep conviction that the Board would live up to that responsibility *vis-à-vis* the international community.

ADOPTION OF THE AGENDA (IDB.17/1)

11. **Ms. OK** (Turkey) proposed that item 6 of the provisional agenda should be amended to read: "Follow-up to the seventh special session: draft business plan of the intersessional working group on the future role and functions of UNIDO".

12. **The PRESIDENT** said that the proposed amendment had been discussed at a meeting of heads of delegations, and had received unanimous support.

13. *The proposed amendment was adopted.*

14. *The provisional agenda (IDB.17/1), as amended, was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

15. **Mr. DE MARIA Y CAMPOS** (Director-General) said he was confident that the current session of the Board would give UNIDO the guidance and support required so that an important step could be taken towards securing the Organization's future, particularly in the light of the significant progress made during the discussions of the intersessional working group on the future role and functions of UNIDO. He paid tribute to the outgoing President and his Bureau, and to the staff of the Secretariat, which had been able to issue the documentation for the session in spite of reduced staff resources and an exceptionally heavy workload brought about by the special session and the intersessional meetings.

16. Under agenda item 4, the Annual Report of UNIDO for 1996 (IDB.17/10 and Add.1 and 2) was presented in its new format, which had been welcomed by Member States the previous year. It consisted of three parts: the main volume provided detailed information on the new initiatives and programmes carried out, grouped under the seven thematic priorities previously established and the activities in the various developing countries. Also covered were the Organization's activities as a global forum for industrial development. Two addenda to the report covered the programme performance of the Organization in 1996, with a set of operational statistics and a complete list of technical cooperation projects that had been under implementation in 1996.

17. The report clearly demonstrated that the Organization's unprecedented reforms had borne fruit in 1996. The effective demand for new programmes had risen by an impressive 35 per cent compared with the previous year. Such results had been achieved in spite of budget reductions and a large reduction in staff strength. In addition, the administrative and operational support costs in technical cooperation delivery had been brought down to 14.5 per cent in 1996—the lowest rate among all comparable agencies of the United Nations system, according to recent studies. Staff productivity in terms of per capita delivery had increased dramatically.

18. The document under agenda item 5 on the implementation of the UNIDO reform (IDB.17/19) covered progress since the previous November and dealt primarily with the subjects specifically requested for reporting to the current session of the Board, namely the development of a Management Information Service (MIS) strategy, the status of the cost accounting system and the training of managers and staff in new principles and processes. Of course, it was clear that the upcoming changes as defined by Member States would require further reform measures and adjustments.

19. Another important subject of continued concern was UNIDO's financial situation. Although the subject had not been included in the provisional agenda, he had considered it necessary to provide up-to-date information in view of its relevance to the ongoing deliberations. Specifically, he wished to draw attention to the highly unsatisfactory situation regarding arrears in the payment of assessed contributions, amounting to US$ 98.7 million for the period 1986-1996 and an additional $44 million for 1997. The group that had been set up to consider the issue of timely payment of assessed contributions had started to look into that issue, and he hoped that suitable measures would soon be agreed upon. He added that of all arrears in assessed contributions, two-thirds were owed by the United States of America, which was no longer a Member State of UNIDO. In his view, a solution to that issue, which after all involved legal obligations, needed to be found soon. All Member States, and particularly those that were members of the Group of Seven, should urge the United States to pay its arrears.

20. Turning to the items of the agenda dealing with UNIDO's substantive programmes, he said that on the subject of the development of human resources for industry a reorientation of the programme was proposed on the basis of the results of a recent review of technical cooperation projects with regard to their industrial human resources development content. A recent symposium organized by UNIDO and the Swedish Umeå Centre had adopted wide-ranging recommendations, some of them addressed specifically to UNIDO, whose implementation would contribute to the development of industrial human resources in developing countries.

21. Closely related to the development of human resources for industry were the activities reported for the integration of women in industrial development. Since the Fourth World Conference on Women held in 1995, UNIDO had reviewed its related programmes and was gradually shifting the emphasis from a strict "women in development" approach to a "gender mainstreaming perspective", which had been integrated in most priority programmes.

22. Following up on General Conference resolution GC.6/Res.6 on environmentally sustainable industrial development, UNIDO had initiated a number of activities to increase awareness among developing countries of the implications and importance of voluntary international quality and environmental management systems. Activities in support of eco-labelling had been concentrated in the leather sector, with the experience gained facilitating similar efforts in other agro-related industries. With regard to the Montreal Protocol programme, 49 more projects had been approved in May 1997 for the equivalent of $20.8 million including support costs. UNIDO had also been very active in preparing its contribution to the special session of the General Assembly to review and appraise the implementation of Agenda 21.

23. As for industrial investment promotion, UNIDO's network was expanding steadily, with the traditional Investment Promotion Service offices being supplemented by a new generation of offices and focal points, particularly in developing countries. The new offices enhanced the flow of investment resources from developed to developing countries and were also instrumental in promoting such flows and related technology flows among developing countries. There was an expectation of increased flows to regions such as Africa that had hitherto been marginalized.

24. Under agenda item 11 on private sector development, the Secretariat was reporting (document IDB.17/11) on activities carried out and programmes initiated in response to resolution GC.6/Res.9. It was essential that UNIDO should provide in particular the least developed countries and economies in transition with the support necessary to develop their private sectors, which had a vital role to play in industry. UNIDO assistance had focused on services in support of industrial development strategies, policies and programmes, as well as related institution-building; the ability of private sector organizations to deliver services to industry and to participate in national dialogues on industrial policy issues; and programmes to develop technical, managerial and entrepreneurial skills of men and women in the industrial field, especially to meet the needs of small-scale industry.

25. Turning to the regional dimension of UNIDO's work, he said that the Alliance for Africa's Industrialization had again received strong endorsement from African leaders: in a period of one year it had been discussed at two ministerial meetings and two summits of the Organization of African Unity (OAU). A Plan of Action (see document IDB.17/CRP.4) had finally been approved with detailed goals, commitments and schedules during the thirteenth meeting of the Conference of African Ministers of Industry (CAMI), with the strong support of the last OAU summit. UNIDO was called upon to place emphasis on its global forum function and on four priority areas, namely capacity-building for industrial competitiveness, linking industry and agriculture to enhance productivity and competitiveness in agro-industry, promoting the growth of small and medium-sized enterprises, and promoting private investment and the transfer of clean technologies. A separate report (IDB.17/22) had been prepared on the mid-term evaluation of the Second Industrial Development Decade for Africa (IDDA) which had recommended that the programme should be narrowed and refocused to concentrate on a smaller number of important objectives and that the Alliance would be the appropriate mechanism for that refocusing. The Plan of Action for the Alliance was seen as the appropriate tool for implementation of the refocused IDDA programme.

26. UNIDO had continued to strengthen and reorient its activities in the Arab countries, in Asia and the Pacific, and in Latin America and the Caribbean. A progress report (IDB.17/4) had been submitted on UNIDO activities for the least developed countries (LDCs), assistance to which continued to received fundamental priority among the Organization's programmes. Technical cooperation with the least developed countries focused on such priority areas as institutional capacity-building, human resource development, with special emphasis on development of entrepreneurship for women, investment promotion, small and medium-scale industry and private sector development, as well as environmental programmes. Total delivery of technical cooperation to the least developed countries had increased by 20 per cent in 1996 compared with 1995.

27. The Board would be giving great importance at the present session to the report (IDB.17/25) of the intersessional working group set up at its seventh special session, including the annexed "Draft business plan on the future role and functions of UNIDO". The progress made by Member States in their dialogue on the future of UNIDO and the constructive spirit in which it had taken place were greatly appreciated. The general thinking behind the draft business plan broadly coincided with the proposal on the future of UNIDO which he had himself put forward at the seventh special session of the Board: that applied to the recommendations for an emphasis on UNIDO's comparative advantages, a general orientation towards policy advice and institutional capacity-building, a sharpening of UNIDO's focus in order to support small and medium enterprises and priority industrial subsectors, a decentralization of activities to the field and the introduction of further efficiency-enhancing measures. It was critically important that in the definition of UNIDO's future priorities the universality of its mandate be preserved. First, there had to be universality in the geographical sense to enable UNIDO to address assistance requirements from all developing countries and countries with economies in transition. He was not, of course, questioning the priority to be given to the least developed countries and African countries; it was his hope that voluntary funds might be available for such countries to a greater extent than had been the case in the past. Secondly, there must be universality in substantive terms: while setting clear priorities, UNIDO must be in a position to address industrial development issues in a comprehensive manner, including the promotion of basic technological innovation capabilities across the different subsectors and the application of upstream advice through demonstration projects at the enterprise level. The recent Danish study on UNIDO (see documents IDB.16/SR.1, para. 64, and IDB.S.7/SR.2, para. 102) had found that it was in the interlinkage of upstream and downstream activities that the Organization's comparative advantage and added value were greatest. The Danish experts had concluded that the issue of retaining or deselecting entire subsectors should be considered not separately but within the overall scope of activities and in relation to needs and demands. The draft business plan had been based on similar considerations and had confirmed the need for UNIDO to provide support to institutional capacity-building at country and sectoral levels. However, it remained his hope that a broader sectoral emphasis could be maintained, as long as UNIDO could ensure the maintenance of sufficient technical expertise and the availability of voluntary contributions from developed and developing countries for such a purpose.

28. Turning to the issue of UNIDO's future budgetary resources, he said it was important to recognize that any possible reductions would be composed of different elements. On the one hand, there were measures related to further efficiency-enhancing and organizational streamlining, as well as the implications of the discontinuation of certain activities. On the other hand, there were budgetary adjustments that could stem from changes in the Organization's membership: those would amount to 2.1 per cent in the case of Australia and 7.4 per cent in the case of the United Kingdom. Following his recent talks with the new United Kingdom Secretary of State for International Development, he was hopeful that the new United Kingdom Government would reconsider its position and remain in UNIDO. The general trend in Europe seemed to be towards greater social solidarity.

29. Indicative levels of 20 per cent and 10 per cent reduction of the budget were proposed in the draft business plan. He himself would prefer adding a five per cent reduction scenario to take account of the increased demand for UNIDO's services and the budget reductions already undertaken. However, following the guidelines of the intersessional working group, the Secretariat had worked on the desired scenarios and would present some rough estimates in a conference room paper. They would show further savings potentials to be derived from focusing, efficiency-enhancing measures and organizational streamlining up to about 11 per cent. To go beyond that level, however, would require additional reductions, particularly of UNIDO's present technical capacities. It was for Member States to decide how to utilize such savings, which could be translated into budget cuts, but if reform was about enhanced effectiveness, and not about cost-cutting, such savings should be redeployed into the strengthening of priority programmes.

30. He was increasingly concerned about the situation of the staff and their morale after three years of reforms, staff reductions and ever greater uncertainties. He hoped that Member States, and especially the major contributors, would decide in favour of UNIDO, and that if there were budget cuts they would provide for ways of funding any separations of staff and other extraordinary costs incurred. UNIDO did not have the reserves it had had in December 1995 to cover such costs.

31. Reform was urgent throughout the United Nations system. UNIDO had proved that reform was possible, and he thought it would be sending the wrong signal to the United Nations system if UNIDO were to be punished rather than rewarded for its reform. Applying the UNIDO experience elsewhere could further enhance the effectiveness and cost-efficiency of the operations of the United Nations system.

32. Reforming UNIDO had been his commitment and responsibility when the reform proposals had been approved in December 1993. It was now the moral and political responsibility of Member States to honour their part of the agreement, to confirm their commitment to a

reformed UNIDO and to provide it with a budget commensurate with its relevance and mandate. Although he himself would not be in office in a year's time, the industrial development needs of countries would remain, and might be even more urgent and require even more rapid solutions than they did now. Those solutions could be provided in a manner that promoted global, equitable and sustainable development for the whole of mankind.

ORGANIZATION OF WORK

33. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which might be waived if no member of the Board objected.

34. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

35. *It was so decided.*

36. He said that Member States wishing to submit draft decisions should do so in writing and well in advance.

37. In connection with the schedule of work, it was proposed that the financial situation of UNIDO should be considered in conjunction with the joint consideration of agenda item 4 (Annual Report) and agenda item 5 (Implementation of the UNIDO reform).

38. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1996 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (IDB.17/10 and Add.1 and 2, IDB.17/2)

IMPLEMENTATION OF THE UNIDO REFORM (IDB.17/19, IDB.17/24 and Corr.1; IDB.17/CRP.5)

39. **Mr. LUETKENHORST** (Acting Head, Strategic Planning Office) introduced the agenda items. The Annual Report for 1996 was contained in documents IDB.17/10 and Add.1 and 2. The main document first described global and regional industrial trends in 1996; it then reviewed implementation of the UNIDO reform carried out on the basis of the new organizational structure established in 1996 and described new reform-based programme initiatives introduced in 1996, especially the Alliance for Africa's Industrialization, a strengthening of UNIDO's role as a global forum and the creation of the International Business Advisory Council.

40. The bulk of the 1996 Annual Report was focused on technical cooperation programmes. The year covered had been a year of transition. The decline in technical cooperation delivery from $108.5 million in 1995 to $91 million in 1996 had been partly due to the discontinuation of support to the International Centre for Genetic Engineering and Biotechnology. At the same time, approvals of new projects had increased by over $26 million to $101 million, which meant that, despite the dramatic decline in UNDP funding in recent years, the value of project approvals exceeded the value of delivery. UNIDO had obtained access to new sources of funding, and delivery was expected to increase in 1997. It should be stressed that such results had been achieved in spite of budget reductions and staff reductions. Administrative and operational support costs for technical cooperation had been reduced to 14.5 per cent in 1996.

41. Regarding the thematic priorities of the Organization, the Annual Report provided summary narratives of major newly approved and ongoing projects as well as projects completed during the year. Africa continued to be the main beneficiary of UNIDO's services. Its share of technical cooperation delivery had risen from 42 per cent in 1995 to 43 per cent in 1996. The Asia and Pacific region followed with 32 per cent.

42. Progress had been made in strengthening UNIDO's role as a global forum by further developing the new concepts selected in 1995, i.e. the UNIDO seal of accreditation, the UNIDO industrial development index, guidelines for industrial science and technology parks and performance norms and benchmarks for industrial processes. Pilot activities had begun in those areas and cooperation had been established with other agencies and institutions. UNIDO's work in the fields of industrial statistics, industrial information and investment promotion had been expanded. The International Centre for Science and High Technology had now become a fully-fledged UNIDO institution with its own programmes and projects.

43. Document IDB.17/2 contained a brief report on the status of negotiations between UNIDO and the Government of Turkey for the establishment of an international centre for hydrogen energy technologies.

44. Referring to agenda item 5, he said that the report on the implementation of the UNIDO reform contained in document IDB.17/19 had been kept brief in view of the detailed documents submitted to previous Board sessions. Further reform measures would be required and the Director-General intended, in the context of implementing the new business plan of UNIDO, to submit a

comprehensive report on past achievements and future plans to the General Conference at its next session.

45. **Mr. INGRAM** (Officer-in-Charge, Division of Administration) introduced the report on the financial situation of UNIDO (IDB.17/24 and Corr.1). The regular budget situation was characterized by irregular contribution payment patterns and a resulting very weak cash position. However, the Secretariat gratefully acknowledged the strong support provided by some 40 Member States which had paid their assessed contributions in full and 13 others which had made partial payments. Some of those States had made exceptional efforts to meet their financial obligations. The situation, comparable to that prevailing at the same time in the previous year, made it very difficult for UNIDO to plan its cash flow and meet its obligations on time. A complete picture of the status of assessed contributions as of 31 May 1997 appeared in document IDB.17/CRP.5, annex I. Annex II of the same document showed how depleted the Working Capital Fund had become; there was no cash balance at all at present and the Secretariat could see no possibility of replenishment to the level of $6.75 million in 1997. The cash flow analysis for 1997 (annex III) projected a cash balance of only $3.8 million by the end of the year, assuming similar patterns of receipt of assessed contributions to those in 1996, together with continued savings in expenditure. In that connection, significant savings had been achieved through recruitment restrictions, reduced expenditure on travel, maintenance and consultancies and reduced utilization of conference service facilities.

46. Referring to discussions on budget reductions for the period 1998-1999, he said that the separation indemnity reserve, established in 1995 at a level of $17 million, now had a balance of approximately $2 million, and would need to be replenished to fund any further significant staff separations. Unless cash became available through the payment of outstanding assessed contributions, other options would have to be developed to provide cash for such separations.

47. The financial situation of the operational budget could be considered satisfactory because of the increasing level of technical cooperation delivery and strict expenditure controls.

48. The report of the External Auditor, which would be submitted to the Programme and Budget Committee at its next session, had been made available last week to Member States as an Information Note. The report stressed UNIDO's acute financial difficulties and discussed the problems of arrears in assessed contributions and cash flow and the resulting financial risks for the Organization. It also stressed that additional resources would have to be provided to increase the reserve for separation benefits if another staff reduction exercise became necessary.

49. **Mr. ABU** (Ghana), Chairman of the Conference of African Ministers of Industry (CAMI), said that, at the thirteenth Meeting of CAMI (CAMI-13), the African Ministers of Industry had expressed deep concern over current attempts to abolish UNIDO or jeopardize its effectiveness. UNIDO's work was of vital importance for industrialization efforts and any reforms made should aim at ensuring that it became more effective in assisting the developing countries rather than eroding its technical capacity. The Ministers had agreed to encourage African Member States to pay their assessed contributions regularly, to declare their unequivocal support for the continued existence of UNIDO as a specialized agency, to invite the Chairman of CAMI-13 to act as a special envoy of CAMI to selected donor countries with a view to convincing them of Africa's need for UNIDO's services, to invite the Bureau of CAMI to collaborate with African missions in capitals of donor countries and those accredited to UNIDO in order to harmonize strategies for mobilizing greater support for UNIDO and, finally, to seek the support of the Industrial Development Board in recognizing the critical importance of UNIDO's role in promoting industrial development in Africa—the continent which would lose the most if UNIDO was eliminated or drastically downsized.

50. The African Ministers had welcomed the report on the mid-term evaluation of the Second IDDA and, bearing in mind its major findings and taking into account the constraints that most African countries were likely to face for the rest of the decade, and beyond it, they believed that the Second IDDA programme would have to be refocused. They recommended that its scope and coverage be narrowed to make it compatible with countries' capacity to mobilize their human, natural and financial resources, that Governments concentrate on those segments of the programme considered prerequisites for industrial development and leave the production and manufacturing aspects to the private sector, that Governments intensify their efforts to create the economic and political environment that would make private sector initiatives possible and productive, that the private sector and the industrial community as a whole be helped to build up their capacity and enhance their competitiveness and that donor countries be invited to consider revised priorities in detail, including the Alliance programme for private sector enhancement.

51. The African Ministers had drawn certain conclusions from their discussion of the Second IDDA and the Alliance. First of all, since the private sector was weak in most sub-Saharan African countries, the refocused Second IDDA programme should include a component on private sector development focusing on the

development of entrepreneurial skills and the strengthening of support organizations for the promotion of indigenous small and medium enterprises, the establishment of support services and the attraction of foreign direct investment. Secondly, African countries should develop strategic plans for industrial development led by the private sector as an important instrument in guiding economic transformation. Such plans should include a commitment to become newly industrialized nations by a target year and be linked with effective implementation strategies. The private sector and UNIDO should assist countries in developing such plans. Thirdly, industrial development programmes under the Second IDDA should be integrated into national development programmes so as to ensure adequate financing by donors. Finally, trade policies which would facilitate regional integration and enhance the competitiveness of industries should be formulated. For that purpose, it was necessary to promote intraregional trade through the elimination of tariff and non-tariff barriers between African States, investment in communications infrastructures and implementation of trade, investment and industrial protocols in the regional economic communities, to enhance the capacity of regional economic organizations and institutions to implement trade, investment and industrial cooperation protocols and foster economic integration, and to make investment arrangements to succeed the ACP-Lomé IV Convention.

52. The Alliance for Africa's Industrialization was an initiative undertaken to enhance and complement the Second IDDA and was also an input for the United Nations System-wide Initiative for Africa and the United Nations New Agenda for the Development of Africa in the 1990s. CAMI had adopted a Plan of Action for the Alliance (IDB.17/CRP.4), agreeing that that Plan should become the implementation mechanism to facilitate the attainment of the Second IDDA objectives. It had called upon African Member States to draw up national and regional plans of action for the Alliance.

53. CAMI had endorsed the Second IDDA evaluation report and the Plan of Action for the Alliance and approved the creation of a group of Heads of State to serve as patrons and advocates for Africa's industrialization.

54. As a result of the reforms taking place in the Organization, CAMI would cease to be a subsidiary organ of ECA by the year 2001 and the African Ministers considered that UNIDO should be given full responsibility for CAMI. ECA would continue to take part in CAMI's activities and OAU was expected to take a greater interest in CAMI in the context of the establishment of the African Economic Community.

55. CAMI was deeply concerned regarding the future of UNIDO. It believed that UNIDO had made greater progress than any other agency of the United Nations system in the reform process. The reforms made had resulted approximately in a 36 per cent downsizing in resources and staff, new management principles had been introduced and there was a welcome new move towards decentralization. CAMI believed that the reforms should be accelerated and implemented without delay so as to put UNIDO back on the right track as soon as possible. In that connection, it welcomed the efforts made by the intersessional working group in preparing a proposal on UNIDO's future mission and particularly welcomed the emphasis laid in the proposal on decentralization, LDCs, Africa and economies in transition.

56. It was disheartening to note, however, that some major partners were still expressing doubts about their continued participation in UNIDO, and CAMI was deeply concerned about the "draft business plan on the future role and functions of UNIDO" (IDB.17/25, annex), which anticipated further cuts and downsizing. CAMI believed that what was required was refocusing and reallocation of resources. Cutting valuable programmes would render UNIDO ineffective. The vital sectoral expertise that the LDCs and African countries needed most should not be eroded. Their private sector was still too weak to cope with the problems that would inevitably arise out of the implementation of the proposed "business plan".

57. Continents other than Africa might be able to find a replacement for UNIDO's services, but for African countries UNIDO was an irreplaceable partner in their efforts to achieve industrial development. African countries did, of course, have the benefit of other bilateral cooperation programmes, but those programmes hardly dealt directly with industrial development. As the Heads of States of OAU had declared recently, without sustainable industrial development African economies would be condemned to persistent economic crises, dependence on humanitarian relief and deepening poverty, despair and political unrest, with dire consequences for peace and stability in Africa.

The meeting rose at 12.35 p.m.